

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 1693
INFO AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
USMISSION USNATO

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USEEC ALSO FOR EMBASSY AND FAA

E.O. 11652: N/A
TAGS: ETRD, EIND, EEC, IT
SUBJ: EC AIRCRAFT POLICY

REF: (A) STATE 42223; (B) BRUSSELS 2624; (C) 77 ROME
15354; (D) 77 STATE 232399; (D) ROME 3727

1. EMBASSY BELIEVES GOI MIGHT BE ABLE ACCEPT EC COMMISSION
POSITION ON EUROPEAN AIRCRAFT PROGRAM AS DESCRIBED REF B,
BUT WILL CONTINUE TO PERMIT OR EVEN FORSTER ITALIAN
AEROSPACE MANUFACTURING ARRANGEMENTS WITH US
FIRMS. INTERNAL ITALIAN DEBATE TWO YEARS AGO ON EUROPEAN
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VERSUS US CONNECTION SEEMS TO HAVE BEEN SETTLED AT
GOVERNMENT LEVEL BY ACCEPTANCE OF PROPOSITION THAT ITALIAN
FIRMS WOULD FOLLOW BOTH PATHS.

2. GOI, HOWEVER, IS NOT INTERESTED IN ENGAGING ITS
AEROSPACE
INDUSTRY IN ACROSS THE BOARD INVOLVEMENT WITH EUROPEAN PROGRAMS

BECAUSE IT BELIEVES TOO MANY OF THEM ARE LIKELY TO BE HIGH COST, BADLY TARGETTED PRESTIGE PROGRAMS THAT WOULD REQUIRE HEAVY SUBSIDIZATION WHICH GOI CAN ILL AFFORD. THE PRIVATE SECTOR (AGUSTA, PIAGGIO, ETC.), IN PARTICULAR, HAS STRONG OBJECTIONS TO THE IMPLICATIONS OF A "EUROPEAN AEROSPACE INDUSTRY", PRIMARILY THE REDUCTION OF THE ITALIAN INDUSTRY TO A SUBCONTRACTOR TO THE FRENCH AND GERMANS..WHICH THEY SEE AS AN INEVITABLE RESULT OF ANY ATTEMPT TO RATIONALIZE THE INDUSTRY ON A EUROPE-WIDE BASIS. GOI, NEVERTHELESS, HAS CERTAIN COMMITMENT TO PREVENT EXCESSIVE JOB LOSS IN AEROSPACE INDUSTRY. THIS COMMITMENT HAS RESULTED AND COULD CONTINUE TO RESULT IN ACCEPTANCE OF SOME SUCH PROGRAMS TO MAINTAIN JOBS.

3. EMBASSY BELIEVES KEY ELEMENT IN ITALIAN POSITION IS BOEING-AERITALIA ARRANGEMENT FOR PRODUCING NEW SERIES OF CIVILIAN TRANSPORT AIRCRAFT (CURRENTLY TWO VERSIONS BOEING 767 AND POSSIBLY TWO VERSIONS OF BOEING 777--PLEASE PROTECT THIS PRPPRIETARY INFORMATION). AS DEPARTMENT IS WELL AWARE, BOEING-AERITALIA RELATIONSHIP GOING THROUGH VERY SERIOUS TRIALS (SEE REFS C AND D) AS BOEING SEEKS TO CHANGE THAT RELATIONSHIP. AERITALIA IS CURRENTLY EVALUATING MOST RECENT BOEING PROPOSAL WHICH APPAREMGLY WOULD REDUCE AERITALIA'S SHARE OF THE PROFIT BUT WOULD ALSO REDUCE ITS FINANCIAL COMMITMENT AND RISK. OUTCOME MUST BE DECIDED SOON--PRESUMABLY BY MID-JULY. EMBASSY BELIEVES THAT OUTCOME WILL LARGELY SET THE DIRECTION OF ITALIAN POLICY WITH RESPECT TO LARGE CIVILIAN AIRCRAFT PRODUCTION.

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4. WHILE ITALIAN AEROSPACE INDUSTRY CONTINUES PLACE VERY HIGH VALUE ON ITS LINKS TO US MANUFACTURER FOR THE TECHNOLOGY AND FINANCIAL SUCCESS IT CAN BRING, BOTH GOI AND INDUSTRY BECOMING INCREASINGLY IRRITATED BY RESTRICTIONS US PLACING ON SALES TO THIRD COUNTRIES OF US LICENSED MILITARY EQUIPMENT. ALTHOUGH CASES OF FRICTION ARE FAIRLY NUMEROUS, THE MOST NOTABLE EXAMPLES ARE COVERED IN REF E. IT IS DIFFICULT FOR US TO ASSESS THE WEIGHT THESE CASES MIGHT HAVE IN SHAPING GOI AND INDUSTRY ATTITUDES ON A EUROPEAN AEROSPACE STRATEGY WITHOUT PROBING APPROPRIATE OFFICIALS. NEVERTHELESS, WE CAN SAY THAT THESE CASES UNDOUBTEDLY DO HAVE SOME WEIGHT IN ITALIAN CONSIDERATIONS AND THAT THEIR RECENT INCREASE AND THE CURRENT IMPORTANCE OF ITALY'S EXPORT DRIVE TO ITS EFFORTS TO REHABILITATE AND STRENGTHEN ITS ECONOMY INCREASE THE WEIGHT ASSIGNED TO THESE CASES. GARDNER

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